

MAINE GAMBLING CONTROL BOARD

April 21, 2015

09:00 – 11:00

45 Commerce Drive Suite 3

Augusta, Maine 04333

Meeting opened at 9:00 am

Board members present: Tim Doyle, Chair; Barbara Dresser; Joe Laliberte; Robert Harmon

Staff present: Detective Don Armstrong, Office Specialist I Janine Collins, Auditor Donald Berrie, Auditor Jill Tobey, Inspector Supervisor Vicki Gardner, Executive Director Patrick Fleming.

Legal counsel present: Assistant Attorney General Lauren LaRochelle

Introductions:

The Board introduced themselves followed by introductions of the staff and counsel by Executive Director Fleming.

Review of the minutes 03/17/2015

Motion to accept the minutes as presented: Joe Laliberte, Board Member

Seconded: Barbara Dresser, Board Member

Vote: 3 for 1 abstention (Robert Harmon)

Executive Director Report:

Legislature – The bills relating to gambling are finally starting to come out of the reviser's office but to date most of them have been referred to committee but no hearings have been scheduled.

LD 104 – An Act To Increase Gaming Opportunities for Charitable Veterans Organizations – this bill would allow certain veteran's organizations to have up to 3 slot machines with a total of 150 machines state wide after 2017. This bill has been referred to committee and is awaiting a public hearing.

LD 457 – An Act to Redistribute the Agricultural Fair Support Fund – this bill was going to change the cascade for the Oxford Slot revenue and give funds that were supposed to go to the commercial tracks to the agricultural fairs. This bill was indefinitely postponed in the House and Senate and placed in the legislative files so it is dead.

LD 516 – An Act Regarding Gaming(emergency) – this is the KENO bill I spoke about at the last meeting which would prohibit the lottery from running a KENO game. This bill was passed in the House and is awaiting action in the Senate.

LD 555 – An Act to Distribute a Portion of Proceeds from the Oxford Casino to the Houlton Band of Maliseet Indians and the Aroostook Band of Micmacs – I also mentioned this bill at the last meeting that it would increase the amount of tax the oxford Casino would have to pay by 4% to give 25 each to the Houlton Band of Maliseets and the Aroostook Band of Micmacs. This bill was placed in the legislative files so it is now dead.

LD 562 – An Act to Protect Casino Workers – this bill was to require the casinos to provide employees that received tips a detailed accounting of all tip revenue collected by the employer and the distribution of the revenue – This bill was also placed in the legislative file and is dead.

LD 620 – An Act to Allow Veteran's Organizations to Own and Operate Slot Machines – this bill is similar to LD 104 in that it allows certain charitable organizations to have up to 5 slot machines with a total number of machines not to exceed 250 after 2017. This bill also allows slot machines to be put in OTB's. This bill has been referred to committee and is awaiting further action.

LD 762 – An Act to Permit the Penobscot Nation to Operate Electronic High Stakes BINGO – this bill would allow the Penobscot Nation to use electronic BINGO machines at their high stakes BINGO facility. This bill is a State Police bill because the machines would be regulated by the State Police but I am watching it because of the similarity of these machines to slot machines and he is curious of how the legislature is going to make the distinction, as some people in the industry will say there is no difference. Referred to Committee awaiting a hearing.

LD 1022 – An Act to Protect the Future of Harness Racing (Emergency) – this bill would remove the provision in title 8 that states that when all commercial tracks receive a license to operate slot machines the 4% they receive from Hollywood Casino's slot revenue goes to the general fund so the commercial tracks would continue to receive these funds. It also states that if a commercial track ceases operation the portion of the fund that was supposed to go to that track will be split among the other commercial track and the agricultural fairs. Referred to Committee on Agriculture awaiting a hearing.

LD 1066- An Act to Provide for the Licensing of a Casino Owned by the Maliseet Tribal Government on Tribal Lands in Aroostook County – this bill would allow the Houlton Band of Maliseets to open a casino on their tribal lands in Houlton. They would be allowed to operate up to 350 slot machines. They would have to pay 35% of their slot revenue and 16% of their table revenue for a new cascade created by this bill. Referred to Committee awaiting a hearing.

LD 1213 – An Act to Ensure Fair Competition by and between Maine's Commercial Tracks – this bill allows an entity that was licensed as a commercial track as of December 31, 2003 to be eligible for a casino license if they meet certain criteria. This bill requires the Commissioner of the Department of Administrative and Financial Services to negotiate a competitive bidding and fair market value license fee with the entity that wants the casino license. This fee would be one time and the casino would then pay the standard fees required by statute. This casino would pay the same tax rates as the Bangor Casino but the distribution would be different. This casino would be allowed up to 4,500 slot machines. Referred to Committee awaiting a hearing.

LD 1279 – An Act to Authorize Advance Deposit Wagering for Horse Racing – this bill would allow harness racetracks, OTB's, and advance deposit wagering providers to establish funds for patrons and then accept wagers made by telephone or electronic communications. This bill is interesting because it removes the face to face requirement for placing a bet including using out of state providers to transfer these funds. Referred to Committee awaiting a hearing.

LD 1280 – An Act to Provide Income Tax Relief by Expanding Gaming Opportunities – this bill will establish a facility location committee who will take bids for a casino to be located in Cumberland or York County. This commission would make the decision on who would get the license and then the Gambling Board shall issue the license. This bill would require an initial fee of \$5 million dollars. This bill would allow 4,500 machines. Referred to Committee awaiting a hearing.

LD 1283 – An Act to Stimulate Economic Development and Create Jobs by Amending the Laws Governing Gaming – this bill would also establish a commission under DAFS to administer a competitive bid process for a casino in 5 different regions in the state. Two of the regions already have casinos so this would allow three more casinos across the state. The bill establishes minimum license fees for the regions and sets a minimum number of slot machines and table games for the facilities. The bill also sets minimum standards for hotels and restaurants. The licenses issued under this bill would be good for 20 years. This bill would also change the cascade for all casinos once the casino in region 1 is opened to one single cascade. Referred to Committee awaiting a hearing.

LD 1346 – An Act to Establish a Comprehensive Gaming Policy – this bill establishes a casino site location commission appointed by the Governor that will establish and RFP for a resort-style casino in southern Maine and a casino in Northern Maine. The bill lists factors that the commission will take into consideration when

reviewing the proposals. There are different fees for the licenses for the two casinos but the license term for both is five years. The bill also states that once these casinos commence operations the payments of the cascades for all casinos would be stopped and held until the legislature could determine a single cascade to apply to all casinos. Referred to Committee awaiting a hearing.

LD 1357 – An Act to Implement the Findings of the White Sand Gaming Study – this bill is very similar to LD 1346 as it establishes a commission to determine two casino sites in northern and southern Maine. There is a cascade established for this bill but it also allows the Veterans and Legal Affairs committee to establish a uniform distribution structure for slot machines and table games revenues. Referred to Committee awaiting a hearing.

One thing that has to be done for all these bills is that a fiscal note has to be submitted to account for the potential costs and revenues for each bill. Fortunately we have a good working model in place so we know the personnel resources needed for a 24/7 operation. The cost for central site monitoring is hard to predict under the current funding structure because it is based on rate of play. It is also hard to predict table games revenue because these bills, like current statute, don't put limits on table games and we don't have a minimum number to start with. He spent a lot of time in the last week working with the service center to try and provide an accurate accounting for these bills.

White Sands Gaming Report – the authors of the White Sands Gaming report appeared before the Veteran's and Legal Affairs Committee last Friday the 17th. The White Sands representatives appeared in front of the same committee last fall but since many of the legislators on the committee now were not there last fall they invited White Sands back. Many of the issues presented and questions asked were the same as last fall. The report states that Maine could support another casino in southern Maine as well as a smaller casino in northern Maine. They predicted a 20% cannibalization rate for the Oxford Casino from a new casino in southern Maine. They recommended reducing the tax structure for the current casinos to 35% for slots and 16% for tables. This change would reduce the impact of the cannibalization of the current casinos by the new casinos. There were many questions by the committee and it appeared that some were receptive to the ideas presented. He is not sure how they will proceed from here with all the bills before them that he just reviewed. They have some options but time is getting short to do a comprehensive plan.

Licensing – At the last Board meeting a vote was taken to deny an employee's license due to unpaid taxes to the state and federal government. A notice was sent to the employee and a request for hearing was submitted by the employee. The employee was contacted and advised that they had taken care of most of the tax issues. He spoke to AAG LaRochelle about this and inquired what could be done if the employee comes into compliance. He was advised that we could enter into a consent decree with the employee stating that they stay in compliance by showing proof that they are keeping up with their payment plan. This decree would be brought to the Board before signature for approval and would not require a hearing. This all depends on the employee getting their affairs in order. If that does not happen we will most likely schedule the hearing for the June meeting.

AAG LaRochelle – Executive Director has been informed by the Attorney General's office that as of July 1, 2015 Assistant Attorney General LaRochelle is being reassigned to be legal counsel for several other boards. He was informed that AAG LaRochelle will still be in the office and will still be available to help a new person with gaming questions that might develop during a training period. The AG's office will be advertising the position and will hopefully have someone hired by July 1st but if they don't Assistant Attorney General Tom Sturtevant will sub in for her until someone is hired.

Auditors Report : Auditor Donald Berrie The March revenue was \$4,523,000 for the month; an increase of \$183,000, or 4% over March 2014. The increase in March was unable to offset January and February declines, so year-to-date revenue was \$11,422,000; a decrease of \$272,000 or 2% from the same period in 2014. The quarter 1 2015 matches the year to date decline from 2014.

The revenue trend chart you received is based upon revenue for 2013, 2014 and 2015. March 2015 revenue is following the upward trend shown in 2013 and 2014, so the overall revenue pattern appears to remain consistent.

Detailed information concerning the distribution of tax revenues is available on the "Revenue Totals" tab of the Gambling Control Board web site.

Slot machine hold compliance is calculated on a quarterly basis. Both casinos were in compliance for the first quarter of 2015.

Audit program

The table game component of the audit program is in process at the Oxford Casino. The interview phase of this component has been performed and the testing phase has been performed. Once the data is analyzed a written report will be supplied to the board.

State Police Update: Detective Don Armstrong Updating the board on a juvenile that got on the gambling floor and gambled with the father and the uncle. The report was submitted to the DA's office, which declined prosecution.

Regarding two thefts that were reported to you last month, both of these subjects were located and criminal summons were issued

Unfinished Business Travis Foley and Peter Nickaper of BMM Test labs gave a presentation and handout on the services they offer and the company overall. BMM is independent from manufacturers and regulators, but works on behalf of regulators. The company makes recommendations regarding compliance but not a final decision, and it will test to whatever standard the regulator wants. Having multiple testing labs can result in higher quality, lower costs for testing, faster results, and a decrease in revocation rates. Also, if there is a problem with a machine then the Board will be able to have the facility that did not originally test perform a forensic assessment.

The Board would like to have a suitability investigation before entering the contract and to enter sole source contracts, contingent upon suitability.

New Business: Director Fleming gave a presentation on gambling revenue distribution.

Public Comment John Gibboni Director of Finance for Hollywood Casino Bangor

Motion: to adjourn Joe Laliberte

Second: Barbara Dresser

Vote: Unanimous

Meeting Adjourned: 10:52

Next meeting is May 19, 2015 @9am in Bangor City Council Chambers at 73 Harlow Street, Bangor, 04401

Respectfully submitted Janine Collins Office Specialist II